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Impact of COVID-19 Pandemic and Its Impact on Financial Markets

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ABSTRACT

Stock Market is one of the most vibrant sectors in the financial system, marking an important contribution to economic development. Stock Market is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, bonds, debentures etc. In other words Stock Market is a plate form for trading various securities and derivatives. Further, it performs an important role of enabling corporate, entrepreneurs to raise resources for their companies and business ventures through public issues. The main objective of present study is to presented Indian Financial Markets with effect of covid-19 pre and post days of the country. The study would facilitate the reader to know the past, current and future trend or prospects of Indian Stock market. This study would provide guidelines to investors to attain maximise profit with minimize risks so that The impact of the slowing economy was augmented by the pandemic which led to a contraction of around 35 percent in March as all geographical boundaries across the world were closed due to lockdown. Hence, going forward, some individual sectors of the economy can take a big hit and the sentiment in the stock markets across the world is gloomy. This is reflected in the frequent crashes in the share markets in all parts of the world. Financial markets in India are witnessing sharp volatility currently as a result of the fallout in global markets. Nearly businesses across the globe are operating in fear of an impending collapse of global financial markets. This situation, clubbed with sluggish economic growth in the previous year, especially in a developing country like India, is leading to extremely volatile market conditions in India.

KEYWORDS: *Covid-19, global Financial Markets, pre and post days, Securities, bonds and debentures etc*

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INTRODUCTION

The machinery of the stock market can be a great source of perplexity for many people. Some people believe investing is a form of gamble; and feel that if you devote, you will more than likely end up losing your money. Other people believe that they should invest for the long run but don't know where to begin. Before learning about how the stock market works, they look at invest like some sort of black magic that only a few people identify how to use. Growing a Business with Equity-When learning how to value a company, it helps to understand the nature of a business and the stock market. Almost every large corporation started out as a small, mom-and-pop operation, and through growth, became financial giants. Trust Wall-Mart, Amazon and McDonald's. Wall-Mart was originally a single-store business in Arkansas. Amazon.com began as an online bookseller in a garage. McDonald's was once a small restaurant of which no one outside of San Bernardino, California had ever heard. a company grows, it continues to face the hurdle of raising enough money to fund on-going expansion. Owners generally have two options to overcome this. They can either borrow the money from a bank or venture capitalist or sell part of the business to investors and use the money to fund growth

About BSE and NSE: Most of the trading in the Indian stock market takes place on its two stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process, etc. At the last count, the BSE had more than 5,000 listed firms, whereas the rival NSE had about 1,600. Out of all the listed firms on the BSE, only about 500 firms constitute more than 90% of its market capitalization; the rest of the crowd consists of highly illiquid shares. Almost all the significant firms of India are listed on both the exchanges. NSE enjoys a dominant share in spot trading, with about 70% of the market share, as of 2009, and almost a complete monopoly in derivatives trading, with about a 98% share in this market,

OBJECTIVES

- ➢ To Study on Indian Stock Markets Trading Mechanism
- ➢ To identify How Covid-19 Second wave impact on Stock Markets
- ➢ To Study the Growth of Indian Stock Markets in terms of Terms of daily margin rate
- ➢ To give some recommendations For Strengthen of Stock Markets

Trading Mechanism in Indian Stock Markets:

Open outcry: is the name of a method of communication between professionals on a Stock exchange or futures exchange which involves shouting and the use of hand signals to transfer information primarily about buy and sell orders. The part of the trading floor where this takes place is called a pit. Examples of markets which used this system are the New York commercial Exchange, the Chicago commercial Exchange, the Chicago Board of Trade, the Chicago Board Options Exchange A "trading floor" is a trading venue. This idiom often refers to a place where traders or stock brokers meet in order to buy and sell equities, also called a pit. Sometimes, the expression "trading floor" is also used to refer to the "trading room" or "dealing room", i.e. the office space where market activities are concentrated in investment banks or brokerage houses

Electronic trading: It is sometimes called Trading. It is a method of trading securities (such as stocks and bonds), foreign currency, and exchange traded derivatives electronically. It uses Information technology to bring together buyers and sellers through electronic media to create a virtual market place. Trading is widely believed to be more reliable than older methods of trade processing

Why such a prevailing Stock Market brunt:

The rupee rise by 21 paise to close at 76.25 against the US dollar on few days, tracking positive domestic equities and weakening of the American currency in the overseas market even Forex traders thought the uptick in the currency counter was largely due to expectations of more stimulus measures from central banks to support their respective economies reeling under the COVID-19 pandemic. The corona virus pandemic, which resulted in the world's biggest lockdown and threatens slowest growth since the global financial crisis, led to this fall in markets. Currently, of the 41 ex-financial Nifty 50 Even as Indian equities track the worst global selloff in more than a decade after the corona virus outbreak, Macquarie finds value in select pockets.

Estimated impact from the corona virus (COVID-19) on India in 2020, by market:

The automotive sector was estimated to be hit the hardest by the corona virus (COVID-19) lockdown in India as of March 2020. Power, IT and FMCG followed in the markets most likely to be affected that time On April 9, the Nifty50 closed with an uptick of 363.16 points or 4.15 percent and on a weekly basis, it surged up by about 12 percent. The benchmark indices ended with a positive note with an expectation of stimulus package .The number of COVID-19 cases in India is low compare to the other nations like US and European countries like Italy, Spain where the number of deaths is in thousands as compared to the hundreds in India Although the government has announced various relief measures to save the economy, investors are still expecting a second stimulus package from the government which might be focused on MSMEs which is the worst hit and On a weekly basis Rupee is making a fresh low due to uncertainty over COVID-19 cases and it difficult to identify the bottom. Although the market remaining under pressure, the decline in India VIX suggests some consolidation is expected around 9,000 levels. Resistance for Nifty is placed at 9,200 and 9500 levels while support is now placed at 9,000 and 8,700 levels the global economy is expected to tip into recession in 2020 as the COVID-19 pandemic has affected global production, supply chains, trade, and tourism. The reduction in international crude oil prices, if sustained, can improve India's terms of trade, but these gains are not expected to offset the drag from the shutdown and loss of external demand. However, domestic growth would depend on the speed with which the outbreak is contained, and the pace at which economic activity returns to normalcy.

LITERATURE REVIEW:

The impact of COVID-19 on the financial market as well as the stock market has been subject to many empirical studies both in advanced and emerging economies. Existing literature found diverse results in these regards.

- **Ozili and Arun (2020)** have conducted an empirical study on the effect of social distancing policy that was adopted to prevent the spread of the Corona Virus, based on four continents: North America, Africa, Asia, and Europe. The study found that 30 days of social distancing policy or lockdown hurts the economy through its negative impact on stock prices.
- **Azimili (2020)** also researched on understanding the impact of corona virus on the degree and structure of risk-return dependence in the US by using quintile regression. The results indicate that following the COVID-19 outbreak the degree of dependence between returns and market portfolio has raised in the higher quintiles that lowering the benefits of diversification. The author also studied the GSIC and stock return relationship and found that the GSIC return relationship revealed an asymmetric pattern, lower tails influenced negatively almost twice as compared to the upper tails. The study confirmed that COVID-19 harm the stock returns of the S&P 500. However, it revealed an inconsequential impact on the NASDAQ Composite index.
- **An empirical study conducted by Cepoi (2020)** on the relationship between COVID-19 related news and stock market returns across the topmost affected countries. By employing a panel quintile regression this study found that the stock market presents asymmetry
- **Becker (2020)**, in his study, found that there is a dramatic fall in oil prices by 70-80 percent. It is severe than the financial crisis of 2008/09. This is a serious issue for the economy as the country is highly dependent on oil revenue. There is a huge gap between the depreciated exchange rate i.e. 20 percent and the fall in oil prices i.e. 70-80 percent.
- **According to Herfero (2020),** the third wave of the COVID-19 pandemic has hit the emerging economy worst resulting decrease in the business activities. This unprecedented shock increases the risk-averse nature which increases the financial cost. Latin America is affected worst because of her much dependency on external financing. Due to the restriction on transport export have declined. Restriction in the international movement has hampered the tourism sector leading to a fall in revenue
- **Raja Ram (2020)** in his study has found that COVID-19 crashes the entire global share. Indian stock market also experienced sharp volatility due to the collapse of the global financial market. Again fall in FPIs also reduces the return of the Indian stock market. By analyzing the history of all unexpected events the author has considered COVID-19 also a “black swan” event.

COVID-19 and stock market collapse: Financial markets in India are witnessing sharp volatility currently as a result of the fallout in global markets. The fall is in line with the global benchmark indices as the domestic market usually tracks the major global indices and the high volatility is likely to continue in the near future the sentiment in the stock markets across the world is gloomy. This is reflected in the frequent crashes in the share markets in all parts of the world.

The fall is in line with the global benchmark indices as the domestic market usually tracks the major global indices and the high volatility is likely to continue in the near future. Further, with overseas investors (FPIs) flying to the safety of dollar-backed assets from emerging markets has led to a sharp downfall in the Indian Stock Market. S&P BSE Sensex which was 42273 points on 20 January, 2020 is 29894 points on 08 April, 2020. The price to Earnings Ratio of Sensex is less than 18 (P/E is 17.81 on 31March, 2020) which is far less than the historical range between 20-24. Markets across large, mid, and small caps have corrected sharply from their peaks. In the FY20 the mid-cap index fell by 26 per cent while the Sensex fell by 22 per cent

The partial lockdowns and restrictions announced by various state governments to curb the spread of second wave of COVID-19 are likely to have some impact on the economic growth. Analysts have now begun to discount some cuts in GDP growth and in corporate earnings. Rating agency ICRA on April 28 revised down its forecast for India's GDP to grow by 10 to 10.5 percent in 2021-22 from the earlier projection of 10-11 percent.

There are many other reasons behind investor optimism. Many commodities like steel and copper are witnessing high demand at the moment. As a result, investors are pumping in money in such commodities and related companies to get better returns in future. Analysts suggest that positive global cues also have a part to play. The rising global demand outlook, rise in commodity prices and availability of liquidity has taken the immediate focus away from the surge of Covid-19 cases in India.

Stock Market volatility (For last two Months):

COMPANY	LATEST	PREV CLOSE	GAIN()	GAIN (%)	VOLUME
CSB Bank	320.6	287.3	33.3	11.59	374629
Birla Corpn.	1326.6	1200.25	126.35	10.53	104425
TV18 Broadcast	40.3	36.5	3.8	10.41	1583637
Relaxo Footwear	1013.15	917.8	95.35	10.39	95861
Tata Coffee	177.95	161.85	16.1	9.95	1932956
Gland Pharma	3331.55	3063.85	267.7	8.74	97754
New India Assura	165.3	152.75	12.55	8.22	463529
Century Ply board	391.25	362.1	29.15	8.05	36098
Wockhardt	677.85	629.2	48.65	7.73	368624
Oberoi Realty	585.6	547.5	38.1	6.96	76852
Indian Hotels Co	129	121.75	7.25	5.95	423096
Firstsour.Solu.	137.2	129.65	7.55	5.82	496300
ICICI Securities	552.85	523.15	29.7	5.68	185520
Netwrk.18 Media	41.55	39.4	2.15	5.46	281946
Fine Organic	3380.65	3206.15	174.5	5.44	11008
V I P Inds.	358.45	340.1	18.35	5.4	365734
I O B	17.1	16.25	0.85	5.23	3594908
CCL Products	314.85	299.75	15.1	5.04	61791
Adani Transmissi	1323.55	1260.6	62.95	4.99	182635
Shri.City Union.	1726.3	1645.2	81.1	4.93	7914

Source: statista.com

Analysis and Interpretation:

Descriptive Statistics:							
Company Stocks	**N**	**Range**	**Minimum**	**Maximum**	**Sum**	**Mean**	**Std. Deviation**
V2	20	3364	17	3381	16013	800.65	997.943
V3	20	3190	16	3206	14941	747.05	933.492
V4	20	267	1	268	1070	53.50	68.082
V5	20	7	5	12	146	7.30	2.342
V6	20	3586994	7914	3594908	10745217	537260.85	877583.610
Valid N (listwise)	20						

Paired Samples Statistics:					
Stocks		**Mean**	**N**	**Std. Deviation**	**Std. Error Mean**
Pair 1	V2	800.65	20	997.943	223.147
	V3	747.05	20	933.492	208.735
Pair 2	V5	7.30	20	2.342	.524
	V4	53.50	20	68.082	15.224
Pair 3	V5	7.30	20	2.342	.524
	V6	537260.85	20	877583.610	196233.661

Paired Samples Test (T-test):									
Stocks		**Paired Differences**					**t**	**df**	**Sig. (2-tailed)**
		Mean	**Std. Deviation**	**Std. Error Mean**	**95% Confidence Interval of the Difference**				
					Lower	**Upper**			
Pair 1	V2 - V3	53.600	68.244	15.260	21.661	85.539	3.512	19	.002
Pair 2	V5 - V4	-46.200	67.683	15.134	-77.877	-14.523	-3.053	19	.007
Pair 3	V5 - V6	-537253.550	877583.559	196233.649	-947975.298	-126531.802	-2.738	19	.013

In this section, we try to assess the way in which the Indian stock market has responded to various events. For this purpose, we first noted the extreme peaks in positive and negative returns and then checked the next 2 days' newspapers explaining the market ups and downs. Since January 2020, only two news items studied do not directly involve COVID-19. The first event was on 6 January 2020, when the market showed a downward trend due to a spike in global oil prices and geopolitical tension, and the second one was on 2 February 2020, which implies that investors were not happy about the fiscal budget then announced by the finance ministry. From this, we infer the gravity of COVID-19's role in increasing stock market volatility. It is evident that the announcement of the pandemic, the lockdown and the extension of the lockdown negatively influenced investor sentiments. However, investors also reacted positively when the national government, as well as international governments, undertook some measures to contain the pandemic. Another important aspect that can be established from this study is that the frequency of investors reacting to negative news is higher compared to the frequency of their response to positive news. This justifies the risk-averse nature of investors

COVID-19 is a black parade episode: Throughout history, there have been highly improbable events that catch almost everyone by surprise and can potentially have a large impact on the status quo by disrupting human activities and creating havoc. Such kind of events is called black swans. The name stems from the fact that until 1697, mankind believed that all swans were white. Then Dutch explorers sighted black swans for the first time in Western Australia, completely nullifying the belief that swans can only be white. Thus, the term 'black parade' morphed into describing an event that occurred despite seeming impossible. Black swan is the occurrence of a highly unexpected event that also has an extreme impact. The field of finance regularly attempts to capture outlier events and fails with equal regularity. Impact of novel corona virus (COVID-19) on the stock market is one such event, which has all characteristics of black episode

Recovery in the current stock market: It would be unwise to expect rapid economic recoil from the current COVID-19 effect. Though the financial crisis is inevitable, considering all-out efforts by central banks and fiscal authorities, to soften the blow, deep economic hunch might be avoided. The problem in the current scenario is that until we know how speedily and thoroughly the public-health challenge will be met, economists cannot predict the endgame of this crisis. Trade-in 2020 is expected to fall steeply in every region of the world and basically across all sectors. But global trade could rebound rapidly after that. However, it would depend on how quickly the pandemic is brought under control, and the policy choices which the governments took to support their economies. Once this epidemic is over with normalcy returning to business and economy, the stock market will start moving in a positive direction, and as witnessed in the past, recovery would be faster than likely. It is true about the market that whether it is the correction or growth, both phases make equity or stock market interesting and worth taking exposures. But it is highly advisable that does not jump into the market or do not try to catch the falling dagger.

RESEARCH METHODOLOGY

- **Primary data:** The primary data will be gathered by using Telephonic Method of various service Stock Trading agencies
- **Secondary data:** was collected from internal sources of the select organizations such as Financial Institutions, like Karvey brokering consultancy, India infoline, ShareKhan.com etc, data was also collected from external sources such as published articles, open Access journals, project reports/ thesis etc

SCOPE OF THE RESEARCH

Indian financial markets were sent tumbling with benchmark indices dropping .their biggest single day fall in three months. The impact of change in the investment climate was reflected in the asset allocation, as investors parked more funds in more secure and stable office spaces. Investments in the office sector rose to $5.9 billion during the year from $2.8 billion a year ago. The Mumbai Metropolitan Region's investments share grew to 40% of national investments in 2019-20 from 60% in 2019-20 The scenario changed, however, when, totally unanticipated, the virus engulfed the world and WHO declared the Covid-19 as a pandemic, followed by various countries issuing travel bans, emergencies, lockdowns, and other restrictions. Capital markets across the world tanked miserably.

FINDINGS

- The spread of the novel corona virus disease COVID-19 has severely impacted the global financial markets. These are incredibly uncertain times, with countries around the world suffering the destabilizing effects of the pandemic. No company is immune to the challenges caused by the health crisis, and there are understandable concerns about the damage caused to the worldwide economy

- Meanwhile, the Reserve Bank of India provided a Rs 50,000-crore shot in the arm to stressed mutual funds by unveiling a special liquidity facility for the sector, days after Franklin Templeton Mutual Fund decided to wind up six debt schemes
- Half of the Nifty 50 stocks, excluding financials, are trading at single-digit valuations as Indian equity markets are nearly one-third off record-high levels they scaled in January 2020
- The Covid-19 pandemic has stalled economic activity and the International Monetary Fund has already declared a recession. In India, it disrupted an economy that’s set to grow at its slowest pace in a decade. The S&P BSE Sensex and the NSE Nifty 50
- According to a survey conducted to understand the impact of the corona virus COVID-19 on Indian start-ups and SMEs, a majority of respondents stated that it would have an impact. About 30 percent of respondents felt that it would decrease demand for their products or services.
- Dr Reddy's Laboratories: The company reported revenues of Rs 4,930 crore in Q3FY21, Increased by 12 per cent, driven by growth in all divisions. EBITDA margins remained steady at 24 per cent, thanks to better operating leverage

SUGESSTIONS

Fundamental Analysis is very important in the time of uncertainty position like corona virus, Surgical Strike, political unfaith, there are some of the examples have been followed in some situations and some of Strategies like panama surgical war, Hashed gambling, Kargil war etc in fundamental Analysis especially Company, Industry as well as Economic parts are very Important Recommendation and even Review of past and present Market analysis (Don’t put all eggs in one Basket)

CONCLUSION

From the previous studies and my findings now it is easy to say that uncertainties always gives has a negative impact on stock market, higher the interest rate lower the efficiency of stock market, it is because if investors are getting higher without taking any risk then why should they invest in stock market, so for a better economy the ruling state should lower its interest rate so that economy of that country gets developed. It is not the only factor that has negative impact on stock market there can be many other factors for example inflation rate etc which are having negative impact on stock market.

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